

PUBLIC DISCLOSURE

April 15, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FIDELITY CO-OPERATIVE BANK

Certificate # 26451

**675 MAIN STREET
FITCHBURG, MASSACHUSETTS 01420**

Division of Banks

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Federal Deposit Insurance Corporation

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<p>NOTE: This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Deposit Insurance Corporation or the Division of Banks concerning the safety and soundness of this financial institution.</p>

TABLE OF CONTENTS

I.	General Information.....	1
II.	Institution CRA Rating	
	a. Overall Rating	1
	b. Scope of the Examination	3
	c. Description of the Institution.....	5
	d. Description of the Assessment Area.....	6
	e. Conclusions With Respect to Performance Tests	10
III.	Appendices	
	Appendix A: Division of Banks - Fair Lending Policies and Procedures.....	A-1
	Appendix B: General Definitions	B-1

GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Fidelity Co-operative Bank (“Fidelity Bank” or the “Bank”)**, prepared by the Division and the FDIC, the institution's supervisory agencies as of **April 15, 2013**. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00. The FDIC rates the CRA performance institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these two tests is summarized below:

Lending Test

The institution is rated “**Satisfactory**” under the Lending Test. This rating is supported by the following summary of results.

Loan-to-Deposit Ratio

The loan-to-deposit (“LTD”) ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 12 quarters since the prior CRA evaluation, dated February 1, 2010, was 89.1 percent.

Assessment Area Concentration

A majority of the Bank's home mortgage and small business loans are in the institution's assessment area. During 2011 and 2012, 70.9 percent of the total number of home mortgage loans, and 67.0 percent of the total number of small business loans were made inside the assessment area. A majority of the loans, by dollar amount, are also in the assessment area.

Geographic Distribution

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The Bank slightly exceeded the aggregate's performance in 2011 in making home mortgage loans in the area's moderate-income geographies. Performance in both low- and moderate geographies improved in 2012. The number of loans made in the moderate-income tracts significantly increased in 2012. Small business loans were mostly concentrated in moderate- and middle-income geographies. No small business loans were made in the area's low-income tracts.

Borrower Characteristics

Overall, the distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income), and businesses of different revenue sizes. The Bank exceeded the aggregate performance in percentage of home mortgage loans to low- and moderate-income borrowers in 2011. The number of loans made to low- and moderate-income borrowers increased from 2011 to 2012. Additionally, an adequate percentage of loans were made to small businesses.

Response to Complaints

Fidelity Bank did not receive any CRA-related complaints during the evaluation period.

Community Development Test

The institution is rated "**Satisfactory**" under the Community Development Test.

The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area. The rating is supported by the following factors:

Community Development Loans

The Bank made five qualified community development loans totaling \$6.5 million during the evaluation period. The loans targeted affordable housing projects and community development service organizations.

Community Development Investments

The Bank made a qualified equity investment in the amount of \$648,163 to a municipality through a school construction bond. A majority of the students in the school district are eligible and enrolled for free or reduced-priced lunch programs. The Bank also had qualified charitable donations of \$244,437 during the review period. The grants and donations targeted community development services, economic development, and affordable housing. These donations primarily assisted low- and moderate- income individuals.

Community Development Services

The Bank, through its employees and Board members, was involved in various community development organizations that provided services to low- and moderate-income individuals.

SCOPE OF THE EXAMINATION

This evaluation assesses Fidelity Bank's CRA performance utilizing the Intermediate Small Bank ("ISB") examination procedures, as established by the Federal Financial Institutions Examination Council. These procedures require two performance tests: the Lending Test and the Community Development Test. The Lending Test analyzes an institution's performance extending home mortgage, small business, and small farm loans during the evaluation period. The Community Development Test is an analysis of institution's qualified community development activities (loans, investments, and services) since the previous CRA evaluation.

The Lending Test considered the Bank's home mortgage and small business lending. The Bank's most recent Report of Condition and Income ("Call Report"), dated December 31, 2012, indicated residential lending, including all loans secured by 1-4 family and multi-family residential properties, represented 56.1 percent of the loan portfolio. Small business lending consisting of commercial real estate and commercial and industrial loans represented 40.7 percent of the loan portfolio. Residential lending represented a much larger portion of origination volume during the evaluation period; therefore, the Bank's performance in home mortgage lending carried greater weight in the Lending Test. However, Bank management indicated that its current strategy is to increase commercial lending, including small business loans. This strategy could lead to greater emphasis on small business lending performance at future CRA evaluations. The Bank made no small farm loans during the review period; thus, this product line was not analyzed.

The evaluation period is from February 2, 2010 through April 15, 2013. Data reviewed during this period includes all originated home mortgage loans reported on the Bank's Home Mortgage Disclosure Act ("HMDA") loan application registers ("LARs") for 2011 and 2012. The LARs contain data about home purchase and home improvement loans, including refinances of 1-4 family and multi-family properties. The Bank reported 430 loans totaling \$87.6 million in 2011 and 842 loans totaling \$171.0 million in 2012. The Bank's home mortgage lending performance was compared against 2011 aggregate lending data. Aggregate lending data includes the lending activity of all institutions subject to HMDA reporting requirements within the Bank's assessment area. The evaluation focused on the Bank's lending performance in 2011, as aggregate lending data for 2012 was not yet available for this evaluation.

Small business loans were also reviewed for the same evaluation period. The Bank elected to collect and report small business lending data, although not required to do so as an ISB. The Bank's CRA loan registers indicated 33 small business loans totaling \$3.6 million in 2011, and 55 small business loans totaling \$8.1 million in 2012. Small business aggregate lending data, as well as business demographics from the assessment area were used to measure the Bank's small business lending performance.

Demographic information from the 2000 and 2010 United States ("U.S.") Census was referenced in this evaluation. Lending data from 2011 was compared to 2000 U.S. Census data, while 2012 lending data was compared to 2010 U.S. Census data. Demographic information in the Performance Context section of the evaluation is based on the 2010 U.S. Census. Financial data was generally obtained from the December 31, 2012 Call Report.

While the Lending Test discusses the total dollar amounts of loans, conclusions were primarily based on the number of loans originated or purchased. The number of loans correlates more closely with the number of individuals or businesses that obtained loans. Extremely large or small dollar loans could skew conclusions.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services from February 2, 2010 through April 15, 2013.

The prior CRA performance evaluation was conducted by the Division and the FDIC as of February 1, 2010, using Large Bank procedures. The evaluation resulted in an overall “Satisfactory” rating by the FDIC and the Division.

PERFORMANCE CONTEXT

Description of Institution

Fidelity Bank is a State-chartered mutual co-operative bank with its main office located in Fitchburg, Massachusetts (Worcester County). In addition to the main office located at 675 Main Street, the Bank operates six branch offices located in Gardner, Leominster (2), Millbury, Worcester (each in Worcester County), and Shirley (in Middlesex County). On October 1, 2012, the Bank moved its Leominster Branch from 25 Main Street to 75 Main Street. All bank offices are considered full-service and each is equipped with an automatic teller machine (ATM). All bank offices also offer a drive-up facility, with the exception of the Millbury branch. Additionally, the Bank has two remote ATM locations, one in Lancaster and one in Ayer. The Worcester and Fitchburg branches are located in low-income census tracts; the Leominster, Shirley and Gardner branches are located in moderate-income tracts; and the Millbury branch is located in a middle-income census tract.

Fidelity Bank also offers alternative banking facilities such as telephone banking, bank-by-mail, online banking with bill pay, Android and Apple banking applications, mobile deposit and night/after hour's depositories at each branch location. These services are available for both individual and commercial customers. The Bank offers a number of checking and savings accounts, including the LifeDesign Free Checking account. This non-interest accruing account has no minimum balance to open and gives the customer a no-cost, unlimited activity checking account. The Bank also offers a no-charge money market account and low-fee savings accounts. Additionally, the Bank offers a free small business checking account with no per check or item charge.

As of December 31, 2012, the Bank had total assets of \$528.6 million and total deposits of \$409.8 million. Total loans were \$394.2 million and represented 74.6 percent of total assets. The Bank's total assets increased 6.4 percent since the previous CRA evaluation, dated February 1, 2010.

Table 1 illustrates the current distribution of the Bank's loan portfolio.

Table 1 – Loan Portfolio Distribution as of December 31, 2012		
Loan Type	Amount \$(‘000s)	Percent of Total
Construction, Land Development, and Other Land Loans	10,706	2.7
Secured by Farmland (Including Farm Residential and Other Improvements)	86	0.0
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	37,195	9.4
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by 1st Liens	159,472	40.5
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Jr. Liens	10,159	2.6
Secured by Multi-Family (5 or more) Residential Properties	14,240	3.6
Secured by Nonfarm Nonresidential Properties	94,815	24.1
Commercial and Industrial	65,454	16.6
Loan to Individuals for Household, Family, or Other Personal Expenditures	1,235	0.3
Other Loans	883	0.2
LESS: Unearned Income	44	0.0
TOTAL LOANS	394,201	100.0

Source: December 31, 2012 Call Report

The Bank's primary business focus is real estate lending, which includes both residential and commercial loans. Total real estate loans comprise approximately 82.9 percent of the total loan portfolio, as of December 31, 2012. The most significant secured lending, in terms of dollars extended to the community, is residential real estate, at 56.1 percent (including multi-family loans). No financial or legal impediments exist that would limit or impede the Bank's ability to meet the credit needs of the delineated assessment area.

Description of Assessment Area

The CRA requires the designation of one or more assessment areas within which a financial institution's record of helping to meet the credit needs of its community will be evaluated. The Bank has one designated assessment area that conforms to CRA requirements as it consists of whole geographies, does not arbitrarily exclude low- or moderate-income areas, does not extend beyond state boundaries, and does not reflect illegal discrimination.

Geographies

The Bank's assessment area primarily includes communities from Worcester County, as well several from Middlesex County. The following communities are located in Worcester County and the Worcester, Massachusetts (MA) Metropolitan Statistical Area (MSA) #49340: Ashburnham, Auburn, Boylston, Clinton, Fitchburg, Gardner, Grafton, Harvard, Holden, Hubbardston, Lancaster, Leominster, Lunenburg, Millbury, Oxford, Princeton, Shrewsbury, Sterling, Sutton, Templeton, West Boylston, Westminster, and Winchendon. The Bank also designated the following 16 census tracts located in the City of Worcester: 7304.02, 7318, 7319, 7320.02, 7322.01, 7322.02, 7322.03, 7323.01, 7323.02, 7324, 7326, 7327, 7328.01, 7328.02, 7329.01, 7329.02. The assessment area also includes the communities of Ashby, Ayer, Groton, Littleton, Pepperell, Shirley, and Townsend; which are located in Middlesex County and the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) #15764. All assessment area communities are part of the larger Boston-Worcester-Manchester, MA-RI-NH Combined Statistical Area (CSA) #148.

The geographic distribution section of the Lending Test evaluates the distribution of loans by census tract income level, especially in those census tracts designated low- and moderate-income. Each census tract, or geography, is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the MSA in which the tract is located. The four income levels are defined as follows:

Low-Income: Less than 50 percent of MFI

Moderate-Income: At least 50 percent but less than 80 percent of MFI

Middle-Income: At Least 80 percent but less than 120 percent of MFI

Upper-Income: 120 percent or greater of MFI

The Bank's assessment area contains a total of 94 census tracts. Based on 2010 U.S. Census data, there are 6 low-income tracts, 24 moderate-income tracts, 40 middle-income tracts, 23 upper-income tracts, and 1 tract with no income designation. There are 3 low-income tracts in Fitchburg and 3 low-income tracts in Worcester. The area's moderate-income tracts are primarily concentrated in Worcester, Fitchburg, Leominster, and Gardner. These cities have the most community development needs among the assessment area communities. Financial institutions have ample opportunity to respond to these needs. The geography with no income designation is the College of the Holy Cross located in Worcester.

The Bank's assessment area census tract composition changed since the previous evaluation due to the most recent U.S. Census. The number of census tracts increased from 91 to 94. The number of moderate- and upper-income tracts increased while the number of middle-income tracts decreased. The number of low-income tracts remained the same.

Table 2 contains pertinent demographic information concerning the assessment area.

Table 2 – Assessment Area Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	94	6.4	25.5	42.5	24.5	1.1
Population by Geography	444,172	6.1	20.8	44.0	28.5	0.6
Owner-Occupied Housing by Geography	114,617	2.7	16.3	49.1	31.9	0.0
Businesses by Geography (2011)	36,981	4.2	13.0	56.3	26.1	0.4
Businesses by Geography (2012)	35,884	4.7	19.7	45.0	30.5	0.1
Distribution of Families by Income Level	112,933	20.5	17.5	22.6	39.4	0.0
Assessment Area Median Family Income (MFI)		\$83,888	Median Housing Value		\$308,499	
MD #15764 MFI, 2011		\$105,000				
MD #15764 MFI, 2012		\$106,400				
MSA #49340 MFI, 2011		\$82,500	Unemployment Rate		7.3%	
MSA #49340 MFI, 2012		\$83,600				
Families Below Poverty Level		6.3%				

Source: 2010 U.S. Census, 2011 and 2012 D&B data, 2011 and 2012 HUD Estimated Median Family Incomes

Median Family Income Levels

The analysis under the *Borrower Characteristics* section of the Lending Test is primarily based on the distribution of home mortgage loans to borrowers of different incomes, using the same four income levels defined in the previous section. The analysis utilizes income data from the 2000 and 2010 U.S. Census that has been annually adjusted by HUD for inflation and other economic events. The estimated 2011 and 2012 MFI figures for the Cambridge-Newton-Framingham, MA MD and Worcester, MA MSA are listed in Table 2.

The analysis of the Bank's home mortgage lending also includes comparisons to the distribution of assessment area families by income level. Table 2 reveals there is a higher representation of upper-income families compared to other income categories. Moderate-income families have the smallest representation at 17.5 percent. A total of 38.0 percent of assessment area families are low- or moderate-income. Families below the poverty level, a subset of low-income families, represent 30.6 percent of this group. The relatively high poverty level in the assessment area indicates that lending opportunities to low-income families may be somewhat limited.

Housing Characteristics

Among other statistics, Table 2 also illustrates the distribution of owner-occupied housing units by census tract income level. Table 2 shows that owner-occupied housing units in the assessment area are heavily concentrated in middle-income and upper-income census tracts. Only 2.7 percent of total owner-occupied units are located in the low-income tracts. This limits opportunities to make home mortgage loans in these geographies.

Housing statistics from The Warren Group were also analyzed for the four cities in the assessment area (Fitchburg, Gardner, Leominster, and Worcester). Home prices were lower in these cities compared to the overall assessment area. Median sales prices ranged from a low of \$112,000 in Gardner to a high of \$170,500 in Leominster during 2011 and 2012. Home prices were generally

stable in these cities during the review period, although Fitchburg experienced a decline of 10.1 percent in 2012. Since these areas have the largest portion of low- and moderate-income (LMI) geographies and families, it appears affordability is not a primary concern.

Unemployment Data

State and county unemployment rates were obtained from the Bureau of Labor Statistics. The Massachusetts unemployment rate was 7.3 percent in 2011 and 6.7 percent in 2012. The Worcester County unemployment rate was 8.1 percent in 2011 and 7.2 percent in 2012. The Middlesex County unemployment rate was 5.9 percent in 2011 and 5.1 percent in 2012.

Municipal unemployment rates were obtained from the Massachusetts Executive Office of Labor and Workforce Development. The 2011 annual unemployment rates ranged from a low of 5.0 percent in Harvard, to a high of 11.1 percent in Fitchburg. There were six communities with unemployment rates at 9.0 percent or higher in 2011, including Fitchburg, Gardner, and Leominster. Annual unemployment rates decreased in each assessment area community in 2012. Harvard again had the lowest rate at 4.9 percent, while Fitchburg had the highest at 10.0 percent. There were four communities with unemployment rates at 9.0 percent or higher in 2012. These communities were Fitchburg, Gardner, Winchendon, and Templeton. These high unemployment rates suggest economic challenges, which may have limited residential or small business lending opportunities in portions of the assessment area during the evaluation period.

Business Demographic Data

According to Table 2, the number of non-farm businesses in the assessment area decreased slightly from 2011 to 2012. Additionally, there was a higher concentration of businesses in moderate-income census tracts in 2012. This is likely due to changes in census tract income levels as a result of the 2010 U.S. Census. Dun & Bradstreet (D&B) data indicated that 68.8 percent of businesses reported gross annual revenues (GARs) of \$1.0 million or less in 2011. This ratio increased to 73.0 percent in 2012. While economic challenges during the review period may have limited demand for credit from small businesses, there appears to be a high percentage of small businesses in the assessment area.

Competition

The Bank faces strong competition from other financial institutions that originated loans within the assessment area. These institutions range in size and type from small credit unions and mortgage companies to large national banks. Among the more prominent lenders competing with Fidelity Bank are Wells Fargo Bank, N.A.; Bank of America, N.A.; and JPMorgan Chase Bank, N.A. Additionally, there are three credit unions that ranked in the top ten in market share for home mortgage loans in 2011 according to HMDA data. Each of these credit unions are headquartered in, or near, the Bank's assessment area.

The 2011 HMDA aggregate lending data indicates that 347 lenders originated 18,076 residential mortgage loans in the Bank's assessment area. Fidelity Bank was ranked 14th among lenders, with a 1.8 percent market share. The Bank does not purchase loans, but many of the large national banks ranked ahead of the Bank purchased large pools of residential loans.

Community Contact

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of their communities and what further opportunities, if any, are available. For purposes of this evaluation, information provided by one such contact was

referenced in preparing this evaluation. This particular third party is active in Fitchburg and Leominster, with a primary focus on creating and preserving quality housing for low- and moderate-income residents. The contact indicated that home prices have stabilized since the economic crisis in 2008 and 2009. Affordability is not a significant problem for residents, rather the quality of housing. Many residential properties require significant rehabilitation. The contact stated that financial institutions have opportunities to meet needs for home buyer education, providing innovative and flexible financing options for both consumers and investors willing to purchase rundown homes, and economic development efforts that will bring businesses into the cities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The Lending Test considers the institution's performance pursuant to the following criteria: Loan-to-Deposit (LTD) Ratio, Assessment Area Concentration, Borrower Characteristics, Geographic Distribution, and Response to CRA Complaints. Overall, the Bank's performance under the Lending Test is "Satisfactory." This rating indicates that the Bank's lending performance demonstrates reasonable responsiveness to the credit needs of the assessment area.

Loan-to-Deposit Ratio

The LTD performance criterion measures the percentage of the Bank's deposit base reinvested in the form of loans. The Bank's LTD ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 12 quarters since the previous CRA evaluation was 89.1 percent. The Bank's net LTD ratio as of December 31, 2012, was 95.1 percent.

Growth patterns of loans and deposits were also analyzed to assess changes in the net LTD ratio over the course of the review period. Net loans (total loans net of unearned income and allowance for loan losses) generally increased during the review period. Net loans were highest, at \$389.7 million, as of December 31, 2012, and lowest, at \$336.5 million, as of September 30, 2010. Overall, net loans increased by 12.2 percent over the last 12 quarters. Total deposits increased to a lesser degree during the evaluation period, at 4.3 percent. As a result of loan growth exceeding deposit growth, the net LTD ratio increased during the evaluation period with the current ratio at 95.1 percent.

The Bank's average net LTD ratio was compared to the average net LTD ratios of four other locally-based, similarly situated depository institutions utilizing the period of March 31, 2010 to December 31, 2012. Each institution is headquartered in Worcester County or Middlesex County, had similar loan product distribution, and had total assets between \$450 million and \$575 million as of December 31, 2012. The Bank ranked fourth when compared to the other banks' average net LTD ratios.

Table 3 – Loan-to-Deposit Comparison		
Bank Name	Total Assets \$(000) as of 6/30/12	Average Net LTD Ratio
StonehamBank, A Co-operative Bank	454,062	115.6
Rollstone Bank & Trust	554,586	105.0
Clinton Savings Bank	474,495	89.6
Fidelity Co-operative Bank	528,616	89.1
Marlborough Savings Bank	465,526	67.2

Source: March 31, 2010 through December 31, 2012 Call Reports

Fidelity Bank sells a significant number of residential mortgage loans in the secondary market. The Bank sold 1,299 home mortgage loans totaling \$248.6 million from 2010 through 2012. Sold loans are not reflected in the net LTD ratio, which further supports the Bank's reasonable performance under this criterion.

Assessment Area Concentration

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area by evaluating the amount of lending conducted within the assessment area. The analysis includes both residential and small business lending. As stated previously, more weight was placed on residential lending performance based primarily on the volume of originations during the review period. Table 4 illustrates the Bank's record of originating loans inside and outside the assessment area during the evaluation period.

Table 4 – Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total \$ (000)
	#	%	#	%		\$ (000)	%	\$ (000)	%	
Home Mortgage Loans										
2011										
Home Purchase	72	68.6	33	31.4	105	12,795	62.7	7,629	37.3	20,424
Refinance	241	77.7	69	22.3	310	42,083	64.9	22,778	35.1	64,861
Home Improvement	10	66.7	5	33.3	15	1,740	75.2	573	24.8	2,313
Total	323	75.1	107	24.9	430	56,618	64.6	30,980	35.4	87,598
2012										
Home Purchase	107	70.9	44	29.1	151	18,187	63.7	10,360	36.3	28,547
Refinance	450	68.6	206	31.4	656	85,100	62.1	51,981	37.9	137,081
Home Improvement	22	62.9	13	37.1	35	2,464	46.2	2,865	53.8	5,329
Total	579	68.8	263	31.2	842	105,751	61.9	65,206	38.1	170,957
Total Home Mortgage	902	70.9	370	29.1	1,272	162,369	62.8	96,186	37.2	258,555
Small Business Loans										
2011	22	66.7	11	33.3	33	2,610	73.3	953	26.7	3,563
2012	37	67.3	18	32.7	55	5,151	63.5	2,956	36.5	8,107
Total Small Business	59	67.0	29	33.0	88	7,761	66.5	3,909	33.5	11,670
Grand Total	961	70.7	399	29.3	1,360	170,130	63.0	100,095	37.0	270,225

Source: 2011 and 2012 HMDA LARs and CRA Loan Registers

Overall, a majority of the Bank's residential and small business loans, by number and dollar amount, were inside the designated assessment area. As shown in Table 4, the Bank made 70.7 percent of its total loans, by number, and 63.0 percent, by dollar amount, inside the assessment area. The following sections detail the Bank's performance by loan type.

Home Mortgage Lending

Fidelity Bank originated a majority of home mortgage loans inside its assessment area in 2011 and 2012. The volume of loans, both inside and outside the assessment area, increased substantially in 2012. Management attributed the increase in lending to expanding its product offerings, increasing residential lending staff, and the low interest rate environment that created large demand for refinance loans. While the percentage of loans in the assessment area decreased slightly in 2012, the Bank continued to originate a comfortable majority of loans in the Bank's assessment area.

While volume increased for each loan purpose, refinance loans increased significantly in 2012, which may be explained by the low interest rate environment.

The Bank's assessment area lending was compared to all lenders subject to HMDA. The institution ranked 14th out of 347 lenders in the assessment area in 2011, capturing 1.8 percent of the market share. There were no community banks ranked ahead of Fidelity Bank, although three local credit unions had higher market shares.

Small Business Lending

Small business lending was also analyzed to determine the percentage of loans within the assessment area. A majority of small business loans, by number and dollar amount, were made in the assessment area during the review period. Although the ratio of loans inside the assessment area was fairly consistent from 2011 to 2012, the number of originations in the assessment area increased. Bank management attributed the increase in small business loan originations to the Bank's strategy of shifting a greater portion of its loan portfolio to commercial loans. While residential lending remains the Bank's primary focus, management expects small business loan production to continue to increase as more resources are focused on commercial lending activities.

Geographic Distribution

Overall, the geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. This conclusion was primarily based on the Bank's distribution of loans in low- and moderate-income census tracts. The following sections discuss the Bank's performance under this criterion with regard to each product line.

Home Mortgage Lending

The distribution of the Bank's home mortgage loans reflects reasonable dispersion throughout the assessment area. Table 5 presents the Bank's home mortgage lending performance by number of loans in 2011 and 2012, as well as aggregate lending data for both years. Table 5 also includes the percentage of owner-occupied housing units for each census tract income level for comparison purposes.

Table 5 – Distribution of Home Mortgage Loans by Census Tract Income Level							
Census Tract Income Level	% of Total Owner- Occupied Housing Units (2000 U.S. Census)	2011 Aggregate Lending Data (% of #)	2011 Bank		% of Total Owner- Occupied Housing Units (2010 U.S. Census)	2012 Bank	
			#	%		#	%
Low	1.3	0.9	0	0.0	2.7	5	0.9
Moderate	10.3	6.8	24	7.4	16.3	104	17.9
Middle	61.9	55.6	240	74.3	49.1	309	53.4
Upper	26.5	36.6	58	18.0	31.9	161	27.8
Income NA	0.0	0.1	1	0.3	0.0	0	0.0
Total	100.0	100.0	323	100.0	100.0	579	100.0

Source: 2000 and 2010 U.S. Census Data; 2011 and 2012 HMDA Data

As revealed in Table 5, the Bank did not make any home mortgage loans in the low-income tracts in 2011. Certain mitigating factors limited lending opportunities, including the fact that only 1.3 percent of owner-occupied housing units are located in the area. Additionally, only 0.9 percent of assessment area loans from the aggregate market were made in the low-income tracts. Bank management also indicated that competition is heavy in these areas as many lenders compete for a small number of loans. Market share reports confirm the high level of competition as 64 lenders

made a total of 155 loans in the low-income tracts in 2011. Aggregate lending data for 2012 was not available.

The Bank originated a slightly higher percentage of loans in moderate-income tracts compared to the aggregate market data in 2011. Competition was also heavy in these geographies as 153 lenders made a total of 1,237 home mortgage loans in 2011. According to market share reports, the Bank ranked 10th with a 1.9 percent market share. This performance was slightly better than the Bank's market share across the full assessment area. Fidelity Bank made loans in just over half of the area's moderate-income tracts in 2011, but penetrated the vast majority of middle- and upper-income geographies. This is reasonable since 88.4 percent of owner-occupied housing units in the assessment area were located in the middle- and upper-income census tracts.

Fidelity Bank improved its lending in low- and moderate-income tracts in 2012. The Bank originated five loans in low-income geographies in 2012; however, the performance was below the percent of owner-occupied housing units in 2012.

On a positive note, the Bank made greater than four times as many loans in moderate-income geographies in 2012 compared to 2011, more than doubling the percentage of loans in these areas. However, this performance is tempered by demographic shifts observed as a result of the 2010 U.S. Census. The number of moderate-income tracts in the assessment areas increased from 17 in 2011 to 24 in 2012, increasing lending opportunities in these areas. The Bank's performance increased for all tract income levels except for middle-income. Again, this trend is consistent with demographic shifts associated with the 2010 U.S. Census data.

Small Business Lending

The geographic distribution of the Bank's small business lending reflects reasonable dispersion throughout the assessment area. Table 6 illustrates the Bank's small business lending activity in 2011 and 2012, as well as the composition of businesses by census tract income level.

Table 6 – Distribution of Small Business Loans by Census Tract Income Level							
Census Tract Income Level	2011 % of Total Businesses	2011 Aggregate Lending Data (% of #)	2011 Bank		2012 % of Total Businesses	2012 Bank	
			#			#	%
Low	4.2	3.5	0	0.0	4.7	0	0.0
Moderate	13.0	12.3	8	36.4	19.7	15	40.5
Middle	56.3	57.7	14	63.6	45.0	17	46.0
Upper	26.1	26.3	0	0.0	30.5	5	13.5
Income NA	0.4	0.2	0	0.0	0.1	0	0.0
Total	100.0	100.0	22	100.0	100.0	37	100.0

Source: 2011 and 2012 D&B Business Data; 2011 and 2012 CRA Loan Registers; 2011 CRA Aggregate Data

In 2011, the Bank made all of its loans in the moderate- and middle-income geographies. The distribution of loans in the moderate-income tracts is much higher than the distribution of businesses and aggregate percentage. Half of all small business loans were originated in Leominster and Fitchburg. Since the volume of small business loans is low, the addition or subtraction of just one loan in any income category would have a notable effect on the distribution percentages. As a result, less weight was placed on the Bank's small business lending performance. The majority of businesses in low-income geographies in the assessment area are in Worcester. The Bank expects

to penetrate these areas as the small business portfolio continues to grow beyond Leominster and Fitchburg.

The Bank increased total small business loan originations in 2012 from the prior year. While there were five loans in upper-income tracts, loans were again concentrated in the moderate- and middle-income geographies. The distribution in moderate-income tracts at 40.5 percent again exceeded the distribution of businesses at 19.7 percent in these tracts.

Bank management recently began a strategy to grow its commercial loan portfolio. This explains the increase in small business loan originations during the review period. Management also explained that its strategy includes pursuing larger business loans with amounts greater than \$1 million. These loans are not included in this analysis based on the CRA definition of a small business loan.

Borrower Characteristics

Overall, the distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes. This conclusion was primarily based on Fidelity Bank's reasonable distribution of home mortgage loans to low- and moderate-income individuals and loans to businesses with GARs of \$1 million or less. The following sections discuss the Bank's performance by loan type.

Home Mortgage Lending

The Bank's performance is considered good. Borrower incomes for loans reported in 2011 and 2012 were compared to the MFI of the appropriate MSA or MD. Table 7 shows the Bank's loans by borrower income level in 2011 and 2012. Table 7 also includes the distribution of families by income level using the appropriate U.S. Census data, as well as aggregate market data for 2011.

Table 7 – Distribution of Home Mortgage Loans by Borrower Income Level							
Income Level	% of Total Families (2000 US Census)	2011 Aggregate Lending Data (% of #)	2011 Bank		% of Total Families (2010 U.S. Census)	2012 Bank	
			#	%		#	%
Low	20.1	7.8	48	14.9	20.5	53	9.2
Moderate	18.2	17.3	64	19.8	17.5	128	22.1
Middle	23.3	23.4	90	27.9	22.6	160	27.6
Upper	38.4	36.1	114	35.3	39.4	231	39.9
Income NA	0.0	15.4	7	2.1	0.0	7	1.2
Total	100.0	100.0	323	100.0	100.0	579	100.0

Source: 2000 and 2010 U.S. Census Data; 2011 and 2012 HMDA Data

Fidelity Bank's distribution of loans to low-income borrowers at 14.9 percent was well above the aggregate lending data of 7.8 percent in 2011. Although the Bank's performance was less than the 20.1 percent of low-income families, this is reasonable considering that 31.6 percent of low-income families were below the poverty level based on 2000 U.S. Census data. Many low-income families would not qualify for a home mortgage loan. The Bank was ranked 6th in lending to low-income borrowers in the assessment area with a market share of 3.4 percent. The

percentage of loans to low-income borrowers declined in 2012, but the number of loans actually increased.

The Bank's distribution of loans to moderate-income borrowers at 19.8 percent was slightly above the aggregate market at 17.3 percent and the percentage of moderate-income families at 18.2 percent in 2011. Fidelity Bank was ranked 10th in lending to these borrowers with a 2.0 percent market share. This market share performance is slightly better than the Bank's performance in lending to all borrowers in the assessment area. The percentage of loans to moderate-income borrowers increased in 2012 and the number of loans doubled. The Bank's performance in 2012 was greater than the percentage of moderate-income families.

Bank management indicated that its products and participation in residential mortgage loan programs targeting low- and moderate-income borrowers, and is the primary reason for the Bank's effective performance under this criterion.

Small Business Lending

The distribution of the Bank's small business loans by GAR level is reasonable. Table 8 illustrates the Bank's small business loans, aggregate data, as well as business composition in the assessment area by GAR.

Table 8 – Distribution of Small Business Loans by Gross Annual Revenues (GAR)							
GAR \$(000)	2011 % of Total Businesses	2011 Aggregate Lending Data (% of #)	2011 Bank		2012 % of Total Businesses	2012 Bank	
			#	%		#	%
≤ \$1,000	68.8	37.5	16	72.7	73.0	16	43.2
> \$1,000	3.5	Not Available	6	27.3	4.4	17	46.0
Not Reported	27.7	Not Available	0	0.0	22.6	4	10.8
Total	100.0	100.0	22	100.0	100.0	37	100.0

Source: 2011 and 2012 D&B Business Data; 2011 and 2012 CRA Loan Registers; 2011 CRA Aggregate Data

In 2011, the Bank's lending at 72.7 percent slightly exceeded the percentage of total businesses at 68.8 percent within the assessment area with GARs of \$1 million or less. However, the Bank significantly exceeded the aggregate lending performance. It should be noted that aggregate lending is generally comprised of loan data from institutions much larger than the Bank due to CRA reporting requirements. In 2012, while the number of loans was consistent at 16, the Bank's percentage declined.

Bank management indicated that its strategic plan is to grow its commercial lending portfolio. Management attributed the overall growth of small business loans to this strategic shift. The increase in loans to businesses with larger revenues was not attributed to one specific factor. However, management also indicated the Bank recently launched a micro small business loan program that provides smaller loans to businesses using an expedited loan approval process. The Bank expects this program to specifically meet credit needs of smaller businesses.

Response to CRA Complaints

Fidelity Bank did not receive any CRA-related complaints during the evaluation period. It was noted that the Bank maintains adequate procedures to handle all incoming complaints, including those related to its CRA performance.

COMMUNITY DEVELOPMENT TEST

Fidelity Co-operative Bank's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities in the institution's assessment area.

Qualified Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

The Bank originated five community development loans totaling approximately \$6.5 million since the previous examination, dated February 1, 2010. These numbers represent 1.6 percent of the Bank's total loans and 1.2 percent of the Bank's total assets. Table 9 details the Bank's community development loans by year, dollar amount, and qualifying community development category.

Table 9 - Community Development Loans						
Activity Year	Qualifying Category**				Total	
	Affordable Housing		Community Services		#	\$('000)
	#	\$('000)	#	\$('000)		
2/01/2010–12/31/2010	0	0	2	336	2	336
2011	2	5,335	0	0	2	5,335
2012	1	813	0	0	1	813
Total	3	6,148	2	336	5	6,484

Source: Bank Records

*Targeted to Low- or Moderate- Income Individuals

**There was no activity under the categories of Economic Development, Revitalization or Stabilization, or Neighborhood Stabilization Projects

All community development loans provided either affordable housing or community services to low- and moderate-income individuals living in the Bank's assessment area. The Bank increased the total number of community development loans since the previous CRA evaluation. The Bank outpaced the prior CRA performance when only two loans were originated for a total of \$800,000. Further, the dollar amount of originations increased by \$5.7 million since the last CRA evaluation. The following is an illustration of the community development loans originated during this review period.

2010

- In June, the Bank granted a \$236,220 interim construction loan to a Veterans organization as bridge financing until a Massachusetts Technology Collaborative Solar rebate was received. The mission of this organization is to provide medical, psychological, and spiritual care to veterans who are diagnosed with a terminal illness, as well as the elderly, disabled, or those in need of related services. The majority of the program recipients are low- and moderate-income individuals.
- In December the Bank granted a \$100,000 real estate line of credit to a veteran's organization for winterization updates and to support the organization's training and rehabilitation center. The mission of this organization is to provide medical, psychological, and spiritual care to veterans who are diagnosed with a terminal illness, as well as the elderly, disabled, or those in need of related services. The majority of the program recipients are low- and moderate-income individuals.

2011

- In November, 2011 the Bank granted a \$4 million commercial real estate loan to pay-off an existing HUD loan for \$3.6 million. The net proceeds were used for building improvements. The subject property consists of a 72-unit building. Per HUD, the building must continue to be operated under the organization's Section 8 Housing program. This building will serve as supportive housing for very low-income elderly persons. This program, authorized by Section 202 of the Housing Act of 1959, provides federal capital advances and project rental assistance to private non-profit corporations to develop new housing or substantially rehabilitate housing to serve low-income elderly people. Projects funded by HUD Section 202 provide health, continuing education, and recreational services to occupants, including homemaking, meal and nutritional services, counseling, referral services, and transportation, which help the residents maintain an independent living arrangement.
- In November, the Bank granted a loan in the amount of \$1.3 million to the Veteran Homestead, Inc. in Fitchburg, a non-profit organization that offers transitional living shelters for military veterans. The loan financed the construction of five duplexes (10 units). The organization's mission is to provide medical, psychological, and spiritual care to veterans who are diagnosed with a terminal illness, as well as the elderly, disabled, or those in need of related services. The majority of the program recipients are low- and moderate-income individuals.

2012

- In December 2012, the Bank granted two construction loans in the amount of \$630,000 and \$182,500 for a total of \$812,500. The \$812,500 represented 25 percent of the total project cost of \$3.2 million for a Chapter 40B project in Lunenburg. The Chapter 40B project is an 8 lot single family condominium project that includes 2 affordable housing units for low- and moderate income families and individuals. Chapter 40B Housing is a program created by Massachusetts in 1969 to allow developers to override local zoning bylaws in order to increase the stock of affordable housing in municipalities where less than 10 percent of the housing stock is defined as affordable. The goal of Chapter 40B is to allow working families and seniors to remain in communities when they might otherwise be priced out of the conventional housing market.

Qualified Community Development Investments

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives. The following describes the institution's qualified investments during this evaluation period.

Total qualified investments for this evaluation period amounted to \$892,600, of which \$648,163 was a new equity investment and \$244,437 consisted of qualified grants and donations. The Bank did not have any qualified equity investments at the last evaluation. Additionally, the level of qualified donations increased since the previous evaluation from \$166,956. The Bank's qualified community development investments are detailed below.

Qualified Equity Investments

As of April 15, 2013, the total value of the Bank's qualified equity investments was \$648,163. This equates to 0.1 percent of total assets and 0.8 percent of investments. The following is a summary of the qualified investments made during the evaluation period and/or held in the investment portfolio from prior evaluation periods.

Town of Southbridge Municipal Bond: The Bank invested in a Town of Southbridge General Obligation School Bond for the purpose of designing, constructing and equipping a new high school and middle school in the town. The bond was purchased on December 6, 2012 for \$648,163 at a rate of 2.65 percent. A majority (76.3 percent) of the students enrolled in the Southbridge school system are eligible for free or reduced-priced lunch programs.

Charitable Donations

Contributions were made to organizations providing education, youth programs, affordable housing, health and human services, and support to businesses for growth and development. From February 2, 2010 through April 15, 2013, Fidelity Bank granted approximately \$534,685 in charitable donations to community organizations, of which approximately \$244,437, or 45.4 percent, was considered qualified under CRA for community development. Table 10 illustrates the Bank's qualified donations by year and purpose.

Table 10 - Community Development Grants and Donations								
Activity Year	Qualifying Category**						Total	
	Affordable Housing		Community Services*		Economic Development			
	#	\$	#	\$	#	\$	#	\$
2/01/2010–12/31/2010	2	2,100	26	72,820	2	1,500	30	76,420
2011	1	1,000	25	52,137	1	1,250	27	54,387
2012	1	500	29	101,730	1	7,500	31	109,730
1/1/2013-4/15/2013	1	800	2	3,100	0	0	3	3,900
Total	5	4,400	82	229,787	4	10,250	91	244,437

Source: Bank Records

*Targeted to Low- or Moderate- Income Individuals

**There was no activity under the categories of Revitalization or Stabilization, or Neighborhood Stabilization Projects

The following is a representative sample of qualifying organizations:

United Way of North Central Massachusetts- This organization seeks to advance the common good by creating opportunities for a better life for all in North Central Massachusetts. This organization focuses on education, income, and health initiatives. Approximately 95 percent of funds allocated to programs through this organization are directed to benefit low- and moderate-income households and individuals.

Greater Gardner Community Development Corporation- This organization promotes self-sufficiency by creating affordable housing opportunities for low- and moderate-income individuals and providing additional programs that raise the economic, educational, and social levels of residents. This organization offers a first-time homebuyer/affordable housing program that assist first-time homebuyers by offering a comprehensive educational program as well as homeownership opportunities for qualified residents through housing rehabilitation and new construction projects.

The Shine Initiative- In 2004, the Bank partnered with the United Way of North Central Massachusetts to create this non-profit organization focused on mental illness. The effects from mental illness are both emotionally and economically depleting. The Bank identified mental illness as an underserved need in the community, and seeks to improve community services associated with public awareness of mental health issues, research and treatment. Many of the program recipients are low- or moderate-income.

Worcester County Food Bank- The Worcester County Food Bank is a collaboration of local non-profit human and social service providers, food industry, corporate, government, civic and private sectors, and individual volunteers focused on “providing relief for hunger” to friends and neighbors, typically, low- and moderate-income families and individuals in central Massachusetts. This organization has collected and distributed more than 50 million pounds of food and grocery product through to local shelters, food pantries, senior centers, residential rehabilitation programs, soup kitchens, after-school programs and neighborhood centers that help feed hungry people in 60 communities in central Massachusetts.

Shirley Friendship Fund- The Shirley Friendship Fund is a small community based group of volunteers that assist Shirley families who need a helping hand at Christmas time and when emergencies arise throughout the year. The Fund distributes food baskets and clothing to low- and moderate- income families in need during the holiday season.

Community Healthlink, Inc.- Community Healthlink, Inc. is a multi-service, private, non-profit organization committed to promoting, maintaining and restoring the dignity, well-being and mental health of individuals and families in Central Massachusetts. This organization offers a number of services, including linking men and women who have been homeless to healthcare services, housing, and jobs. Many of the recipients are low- or moderate-income.

Cleghorn Neighborhood Center- The Cleghorn Neighborhood Center’s (CNC) vision is to build strong neighborhoods and to strengthen the Latino and Latino immigrant community in Fitchburg. CNC offers a number of programs and services, including an emergency food pantry, rent and fuel assistance, resident-led neighborhood revitalization and youth development programs. A majority of the program recipients are low- or moderate-income.

Greater Gardner Community Action Committee, Inc.- This non-profit human service agency provides a variety of services for the residents in the Greater Gardner community who are in need. The agency’s mission is to promote self-sufficiency to low-income individuals and

families. Services include a food distribution program, emergency funds for basic needs, fuel assistance, a clothing closet, and assistance with food stamp and Mass Health applications.

Friendly House, Inc.- Located in Worcester, Friendly House's focus is on assisting low- and moderate-income families and individuals with basic needs such as emergency food, housing assistance, and immigration information. Friendly House also operates a Homeless Family Shelter and Transitional Housing Programs off-site.

Veteran's Inc.- The mission of this organization is to help veterans re-gain control of their lives in an effort to eliminate homelessness. Veteran's Inc. is a leader in providing services that improve the lives of veterans and their families by providing the highest quality services; and continuing to create new opportunities in the areas of health, employment and housing. Services provided by this organization include 24-hour emergency assistance, aid in finding housing for homeless veterans and those at risk of being homeless, as well as job enhancement and job search skills.

In-kind donations

The Bank donated a parcel of property adjacent to Gateway Park to the City of Fitchburg during the examination period. This parcel of land doubles the size of the park, which is located in a low-income neighborhood that has abandoned factories and many older multi-family houses. The approximate value of the donation was \$62,500.

Other Investment Activity

Worcester Community Housing Resources, Inc. (WCHR): The mission of this non-profit organization is to create and preserve affordable housing opportunities for low- and moderate-income households and to initiate and support neighborhood revitalization in the greater Worcester area. During the evaluation period, the Bank made a \$25,000 commitment to the Small Business Emergency Loan Fund facilitated by WCHR Securities, Inc. There were no emergencies during the evaluation period that prompted disbursement of the funds; therefore, this figure is not included in the overall dollar amount.

Qualified Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services. Fidelity Bank demonstrated adequate responsiveness to the area's community development needs through qualified services. The Bank is currently involved in local services and non-profit entities which qualify as community development organizations, lending their financial expertise to these organizations.

Bank Employee and Director Involvement

During the evaluation period, directors, officers and employees of the Bank were involved in organizations in various capacities that represented a community development purpose. Bank personnel provided these organizations with financial expertise and served as directors, officers, loan committee members, and volunteers.

The following are examples of the Bank's participation in various organizations that benefited the assessment area.

The Shine Initiative- In 2004, the employees of Fidelity Bank were determined to "give back" to the community and contribute to and champion the cause of mental illness. This organization strives to be a leader in the fight against mental illness in children and young adults. The effects

of mental illness are both emotionally and economically depleting. The Bank continues to take a leadership role in its efforts to support and grow this organization. Many of the program recipients are low- or moderate-income. The Bank's President and Chief Executive Officer and the Bank's Branch Services Member serve on the Advisory Board of this organization.

Community HealthLink- In 1985 Community Healthlink, Inc. constructed an independent living program for adults with long-term mental illness. Since then, many more residential programs have been established to meet the needs of people with histories of mental illness, substance abuse and homelessness. Many of the program recipients are low- or moderate-income. The Bank's Chairman and CEO, as well as a member of the Board serve on the Board of this organization.

United Way of North Central Massachusetts- This organization has played a critical role in the local community by helping those in need, primarily low- and moderate-income families and individuals. The organization utilizes local resources to address the most critical human needs. The Bank's President serves on the Board, and is a member of the Finance Committee of this organization.

The North Central MA Community Reinvestment Act (CRA) Coalition- This organization is a local partnership between financial institutions, municipalities and community-based organizations that work together to address the credit, housing, economic development and banking needs of the entire community, including minority and low- and moderate-income residents and neighborhoods. The Bank's Vice President serves on the Board of this organization.

The Boys and Girls Club of Worcester- This organization's mission is to inspire and enable all young people, especially those who are most in need (primarily low- and moderate-income), to realize their full potential as productive, responsible, and caring citizens. The Bank's President serves on the Board of this organization.

The Worcester Business Development Corporation (WBDC)- This organization is a private, non-profit business organization with a public purpose mission to serve as an innovative and leading force in the economic development of the City of Worcester and the region, resulting in job creation, tax base expansion, and small business development. In addition, this organization redevelops troubled and vacant properties, and is aiming to focus that agenda on downtown Worcester. The Bank's President serves as Vice Chairman of the Board and also serves as Chairman of the Board and Investment Committee.

The Arc (formerly North Central Mass Retarded Citizens) - This organization has a mission to enhance the lives of individuals with intellectual and developmental disabilities and their families. This is accomplished through advocacy of supports and services based in the community, education, and outreach. The effects of mental illness and developmental disabilities are both emotionally and economically depleting. Many of the program participants are low- or moderate-income. A Director of the Bank is a member of the Finance Committee.

LUK Crisis Center- This organization's mission is to challenge and support youth and families to recognize their unique and productive potential through community-based prevention, intervention and education services. LUK promotes emotional, social and economic health and empowerment for all youth and families, but primarily low- and moderate-income. The organization offers housing, foster care, counselling and prevention education. The Bank's Senior Vice President is a Board member and serves as Treasure of this organization.

North Central Massachusetts Community Reinvestment Coalition- This organization strives to build alliances and partnerships among financial institutions, municipalities, community-based agencies, and others by utilizing the resources and talents of the members to increase access to capital and to support and advocate minority and low- and moderate-income individuals and communities. The Banks Vice President and Home Loan Specialist serves on the Board of this organization.

Other Community Development Activities

Financial Education and Outreach

The Bank participated in 14 first-time homebuyer programs during the evaluation period under review. Five of the outside originators held first-time homebuyer seminars at the following locations: Twin City CDC in Fitchburg, Worcester East Side CDC, and Neighbor Works in Worcester.

APPENDIX A

Massachusetts Division of Banks Fair Lending Policies and Procedures Review

The Division provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. Included in the Bank's loan policy are the Bank's efforts to eliminate discrimination. The Bank provides fair lending training to all lending personnel as well as the Board at least annually. Management develops training programs that cover all aspects of the lending process. The Bank has seven bi-lingual employees who speak Spanish.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

MINORITY APPLICATION FLOW

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 421,346 individuals of which approximately 13.0 percent are minorities. The assessment areas minority and ethnic population is 6.2 percent Hispanic or Latino; 2.5 percent Asian; 2.5 percent Black or African American; 0.2 percent American Indian/Alaskan Native; 0.03 Native Hawaiian/Other Pacific Islander, and 1.5 percent Other.

For 2011 and 2012, the Bank received 1,054 HMDA-reportable loan applications from within its assessment area. Of these applications, 13 or 1.2 percent were received from minority applicants, of which 10 or 76.9 percent resulted in originations. For the same time period, the Bank also received 26 applications from ethnic groups of Hispanic origin within its assessment area of which 22 or 84.6 percent were originated.

Refer to the table below for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

Table A1 – Minority Application Flow						
RACE	Bank 2011		2011 Aggregate Data		Bank 2012	
	#	%	#	#	#	%
American Indian/ Alaska Native	0	0.0	44	0.2	0	0.0
Asian	4	1.1	1,145	4.7	5	0.7
Black/ African American	0	0.0	336	1.4	1	0.2
Hawaiian/Pac Isl.	0	0.0	22	0.1	0	0.0
2 or more Minority	0	0.0	3	0.0	0	0.0
Joint Race (White/Minority)	0	0.0	216	0.9	3	0.5
Total Minority	4	1.1	1,766	7.2	9	1.3
White	321	84.5	17,402	70.8	611	90.7
Race Not Available	55	14.5	5,404	22.0	54	8.0
Total	380	100.0	24,572	100.0	674	100.0
ETHNICITY						
Hispanic or Latino	3	0.8	528	2.2	13	1.9
Not Hispanic or Latino	320	84.2	18,499	75.3	598	88.7
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.3	180	0.7	9	1.3
Ethnicity Not Available	56	14.7	5,365	21.8	54	8.0
Total	380	100.0	24,572	100.0	674	100.0

Source: 2011 and 2012 HMDA LAR, 2011 HMDA Aggregate Data

The Bank's level of lending was compared with the aggregate's lending performance level for the most recent year that data was available, 2011. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants.

The Bank's performance was below the 2011 aggregate performance level for minority applicants. In 2011 the Bank received 1.1 percent of its applications from minorities while the aggregate was higher at 7.2 percent. The Bank's performance was lower than the 2011 aggregate performance for ethnic minorities. In 2011 the Bank received 2.1 percent while the aggregate received 2.7 percent for ethnic minorities. In 2011 the Bank received 1.1 percent of its applications from ethnic minorities while the aggregate was higher at 2.9 percent.

APPENDIX B

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male

householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one has incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 675 Main Street, Fitchburg, MA 01420."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.